



Monthly Economic Update

July 2004



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This report is an update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** GDP grew 3 percent during the second quarter, which was below market expectations and the revised 4.5 percent for the first quarter. Weak consumer spending (↑ 1% annual rate), which comprises nearly 70 percent of GDP, was the contributing factor. The paltry increase was the lowest since the second quarter of 2001. However, in contrast to weak consumer spending, business spending picked up significantly during the second quarter. Spending on equipment grew 10 percent, residential investment was up 15.4 percent, and nonresidential construction increased 5.2 percent.

The Institute for Supply Management reported that its index of manufacturing activity rose to 62.0 percent in July from 61.1 percent in June and the Federal Reserve Board's (Fed) industrial production index increased 0.4 percent. Housing starts were up 8.3 percent in July over the same month last year and residential building permits increased 5.7 percent over the same period.

➤ **Financial Markets.** In July, all stock indices declined with the NASDAQ (↓ 7.8%) experiencing the largest decline, followed by the Russell 2000 (↓ 6.7%), the S&P500 (↓ 3.4%), and the Dow Jones Industrial Average (↓ 2.8%). The stock market has declined to levels experienced during late summer and early fall of last year. According to market analysts, the stock market expects modest economic performance during the second half of this year. Such declines may have a significant effect on capital gains recognized by County residents in tax year 2004. To achieve modest growth in capital gains, the market must grow at a double-digit rate the rest of the year.

➤ **Retail Sales.** Sales in the County as measured by sales tax receipts were up 7.5 percent in June and 7.4 percent for the first six months of the year compared to the same period last year. That increase was the strongest six-month performance since 1999. Led by building and industrial supplies, purchases of durable goods were up 9.3 percent. Sales of hardware, machinery, and equipment were up 6.2 percent followed by automotive sales which were up 5.3 percent.

➤ **Construction.** Residential construction in July and through the first half of 2004 has been below the same period in 2003. Value of new residential construction through July was 8 percent below last year. Construction of single-family homes to date is running at slightly above an annual rate of 1,625 units compared an annual rate of 2,130 units in 2003, a decline of over 500 units. In short, the addition of new single-family homes in the County continues to decline year after year.

➤ **Real Estate.** Housing sales increased a modest 2.3 percent in July compared to July 2003. This follows four months of doubled-digit growth. However, average home prices increased almost 19 percent in July compared to July 2003 and 20 percent for the year compared to the same period last year.

➤ **Inflation.** Recent data from the U.S. Bureau Labor Statistics show the "core" inflation rate of 1.5 percent for the metropolitan region in July was below the national rate of 1.8 percent. For the year, growth in prices of goods and services less food and energy, at well below 2 percent for the region, remain low.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		2003
				2004	2003	
Leading Indicators						
National	June	-0.2%		4.2%		3.0%
Washington MSA	May	-0.9%		3.0%		2.5%
Coincident Indicators						
National	June	0.1%		2.3%		1.1%
Washington MSA	May	1.9%		6.4%		1.9%
Consumer Confidence Index						
National	July	3.2%		26.3%		17.5%
South Atlantic Region	July	-0.8%		27.2%		16.5%
Consumer Sentiment (University of Michigan)	July	1.2%		12.0%		6.8%
Consumer Price Index						
All Items (nsa)						
National	July	3.0%		2.4%		2.3%
Washington - Baltimore CMSA	July	2.9%		2.4%		2.8%
Core CPI (nsa)						
National	July	1.8%		1.6%		1.5%
Washington - Baltimore CMSA	July	1.5%		1.4%		2.4%
Retail Trade						
National (sales - nsa)	July	7.1%		8.3%		5.6%
Washington MSA (sales - nsa)	May	6.3%		9.0%		6.5%
Maryland (sales tax)	June	9.8%		10.8%		3.5%
Montgomery County (sales tax)	June	7.5%		7.4%		4.0%
Employment						
National (household data - nsa)	July	140,700,000	138,503,000	138,550,000	137,297,857	137,736,000
- Percent Change		1.6%		0.9%		0.9%
Washington PMSA (household data - nsa)	June	2,849,086	2,771,814	2,806,862	2,726,186	2,763,091
- Percent Change		2.8%		3.0%		1.6%
Montgomery County (resident)	June	505,835	495,254	500,107	488,566	495,052
- Percent Change		2.1%		2.4%		1.1%
Montgomery County (payroll)*	Dec. '03	455,705	454,407	449,891	449,025	449,025
- Percent Change		0.3%		0.2%		0.7%
Unemployment						
National (nsa)	July	5.7%	6.3%	5.8%	6.2%	6.0%
Maryland (nsa)	June	4.2%	4.8%	4.1%	4.6%	4.3%
Washington PMSA	June	3.3%	3.9%	3.1%	3.7%	3.4%
Montgomery County	June	2.5%	2.9%	2.4%	2.7%	2.5%
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	July	\$134,999	\$158,517	\$704,543	\$629,088	\$949,138
- Percent Change		-14.8%		12.0%		-42.7%
Residential (\$ thousand)	July	\$64,304	\$82,275	\$313,833	\$339,952	\$567,664
- Percent Change		-21.8%		-7.7%		-29.3%
Non-Residential (\$ thousand)	July	\$70,695	\$762,420	\$390,710	\$289,056	\$381,474
- Percent Change		-90.7%		35.2%		-55.5%
Building Permits (Residential)						
National	June	190,997	172,066	1,012,069	899,481	1,862,365
- Percent Change		11.0%		12.5%		6.6%
Maryland	June	2,825	3,548	13,609	14,780	30,125
- Percent Change		-20.4%		-7.9%		2.8%
Montgomery County	June	95	329	1,755	2,365	4,590
- Percent Change		-71.1%		-25.8%		-8.4%
Building Permits (Non-Residential)						
Montgomery County	July	162	221	1,121	1,032	1,798
- Percent Change		-26.7%		8.6%		-3.2%
Real Estate						
National (saar)						
Sales	June	6,950,000	5,920,000	6,500,000	5,840,000	6,100,000
- Percent Change		17.4%		11.3%		9.6%
Median Price	June	\$191,800	\$175,000	\$177,267	\$164,433	\$170,000
- Percent Change		9.6%		7.8%		7.5%
Montgomery County						
Sales	July	1,902	1,860	9,927	9,191	16,534
- Percent Change		2.3%		8.0%		2.9%
Average Price	July	\$447,651	\$376,381	\$422,499	\$352,117	\$362,997
- Percent Change		18.9%		20.0%		13.2%
Median Price	July	\$366,250	\$314,900	\$341,781	\$282,986	\$295,500
- Percent Change		16.3%		20.8%		15.5%
Average Days on the Market	July	19	24	25	30	27

* Year-to-Date data are for calendar years 2003 and 2002, respectively.

(p) = Preliminary